

Message Text

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SUBJECT: BRITISH POST OFFICE TELEPHONE EXCHANGE CUTS

1. BRITISH POST OFFICE (PO) HAS ANNOUNCED A 200 MILLION POUNDS CUT IN EXPENDITURES FOR NEW TELEPHONE EXCHANGE EQUIPMENT OVER NEXT THREE YEARS (1977-1980). CUTS FOLLOW 40 PER CENT CUT IN PO INVESTMENTS FOR 1975-1976 INCLUDING 25 PER CENT CUT IN 1976-77. ALTHOUGH GREATER PART OF AFFECTED EQUIPMENT IS OF CONVENTIONAL ELECTROMECHANICAL TYPE, THIS CHANGE ALSO AFFECTS PURCHASE OF ADVANCED ELECTRONIC TELEPHONE EXCHANGES FOR FIRST TIME.

2. PO SAYS CUTS JUSTIFIED DUE TO OVERCAPACITY OF EXISTING EXCHANGES AND LOWER PROJECTED TRAFFIC RATE THROUGH 1980 THAN PREVIOUSLY FORECAST, 3.34 MILLION TELEPHONE CALLS AS COMPARED TO EARLIER FORECAST OF 3.4 MILLION CALLS. PO CUTS ARE EXPECTED TO MEAN SOME 15,000 JOBS WILL BE LOST IN THE EQUIPMENT INDUSTRY.

3. BRITISH MANUFACTURERS AND LABOR UNIONS HAVE REACTED ANGRILY TO ANNOUNCEMENT. THEY CLAIM PO DID NOT CONSULT THEM PRIOR TO THE ANNOUNCEMENT NOR DID PO GIVE THEM ADEQUATE WARNING OF IMPENDING ANNOUNCEMENT (THREE AND A HALF HOURS PRIOR TO PUBLIC ANNOUNCEMENT).

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4. MANUFACTURERS WERE ESPECIALLY UPSET BECAUSE THEIR

PRODUCTION PLANNING IS BASED ON PO PROJECTIONS. THEY HAD BEEN EXPANDING CAPACITY TO MEET THE PO PROJECTIONS AND NOW THEY ARE LEFT WITH OVER CAPACITY AND FEELING THAT THEY ARE UNFAIRLY BURDENED BY PO MANAGEMENT MISTAKES AND/OR MISCALCULATIONS.

5. THERE SHOULD BE LITTLE DIRECT AFFECT ON U.S. EXPORTS SINCE PO TELEPHONE EXCHANGES COME FROM BRITISH MANUFACTURERS. HOWEVER' NEW PO FORECAST COULD MEAN THAT PO WILL ALSO CUT BACK IN OTHER AREAS OF TELEPHONE AND TELEGRAPH SECTORS WHERE US EXPORTS WERE 23 MILLION DOLLARS IN 1975. ALSO, BRITISH MANUFACTURERS MAY ATTEMPT TO INCREASE EXPORTS IN ORDER TO OFFSET OVERCAPACITY THEY FACE FOR FORESEEABLE FUTURE.
ARMSTRONG

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